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MONTHLY PROJECTIONS April 1988

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ECONOMY REMAINS DECEPTIVELY STRONG

Little solace should be taken from the 174,000 increase in payrolls during April. Clearly, some of the employment gains in March, especially in other construction, other services, and retailing were caused either by shifting seasonals because of the Easter holiday or by survey problems. In addition, government payrolls spurted, which is not expected every month. Thus, a slowing in payroll growth during April should not be surprising. On the other hand, the spurt in hours worked to a monthly increase of 1% clearly was unusual. Again, problems with the Easter holiday probably depressed the workweek in March and increased it in April. Nevertheless, even if the two months are averaged, economic activity appears to be strong.

Moreover, this strength in hours worked has been confirmed by other measures of economic activity during the month. Industrial production rebounded by 0.7% although about half of that rebound was the result of increased automobile activity. Orders for durable goods also continued to rebound, although nondefense capital goods orders increased less than had been anticipated. Large orders for commercial aircraft should add further to durable goods orders in the next few months. A 23% increase in exports during March probably reflects as much an increase in processing of invoices as an increase in goods actually moving across the waters. Nevertheless, foreign purchasers have discovered that the United States now is the low-cost supplier of resources to the industrialized world. Unless the dollar rallies sharply, a condition that is not anticipated at this time, continued export growth should be anticipated.

Of course, a rebound in industrial activity will lead to some capacity pressures in several leading industries, including paper, textiles, chemicals, and metals. Increased investment may develop. Because nearly 35¢ of each investment dollar is spent on foreign goods, imports are expected to grow robustly. Indeed, the trade figures probably will show a sawtooth pattern through much of this year with surges in exports knocking down the deficits one month followed by import increases causing deterioration the next. On the

whole, however, the trend probably is downward, if not sufficiently to stem concerns of foreign investors at the present time.

As expected, such pressures upon industrial activity are beginning to increase profit margins at the industrial level. Prices for industrial materials have been increasing at double-digit rates through the first five months of this year. Although investment has picked up, the results of capacity expansion probably will not be adding to supplies until late next year or in 1990. Therefore, inflation in industrial material prices should remain near double-digit levels through the remainder of this year and only slow as economic demand slows its rate of growth early in 1989.

Generally, the economy is reflecting an expansion-ending pattern, with capacity utilization rising, unemployment falling to decade-lows, inflation intensifying, and interest rates rising. Investment activity also has been stimulated. However, two factors probably will cause a divergence from normal cycle-ending behavior.

First, long-term interest rates are rising faster than inflation. Typically, interest rates lag behind inflation, causing the real rate of interest to decline until a recession commences. However, concerns about inflation have worried investors so significantly that long-term interest rates are rising faster than underlying inflation. Of course, the Federal Reserve has been reluctant to increase targeted short-term rates. Thus, increased industrial material inflation has begun to spawn speculative holdings of material inventories. (This speculative inventory-holding near the end of a cycle, however, is quite normal.) Because of the rise in real interest rates, the interest-sensitive part of the economy may slow sooner than normally develops at this stage of the cycle.

Second, America's improved competitiveness will insure that much of the weakness in aggregate spending will be reflected in imports when weakness comes. In 1982, by contrast, all the reduction in domestic activity was borne by domestic producers. Conceivably, export activity will remain robust enough that an actual decline in production may be avoided when rising inflation and interest rates finally restrain spending plans.

Quarterly Profile of GNP

	<u>1987-4</u>	<u>1988-1</u>	<u>1988-2</u>	<u>1988-3</u>	<u>1988-4</u>	<u>1989-1</u>	<u>1987 Annual</u>	<u>1988 Annual</u>
Real:	4.8	2.3	3.3	3.0	2.4	1.2	2.9	3.5
Price:	2.7	2.4	4.3	4.0	3.7	4.2	3.0	3.4
Nominal:	7.6	4.7	7.3	7.1	6.4	5.5	6.0	7.0

Monthly Statistical Highlights for April 1988

Personal income +0.4%; savings rate 4.2%; personal consumption +0.4%; construction expenditures +0.2%; business inventories +0.5%; consumption deflator +0.5%; leading indicators +0.6%; real GNP (AR) +3.5%.

Monthly Statistical Highlights for May 1988

Payroll employment +316,000; index of hours worked +0.2%; household employment -78,000; civilian unemployment rate 5.4%; personal income +0.5%; savings rate 4.0%; personal consumption +0.5%; retail trade +0.3%; auto sales 10.0 million; housing starts +0.5%; housing permits +0.7%; construction expenditures +0.4%; business inventories +0.4%; orders for durable goods +1.0%; orders for nondefense capital goods +2.0%; industrial production +0.2%; CPI +0.5%; PPI +0.5%; consumption deflator +0.6%; leading indicators -0.1%; real GNP (AR) 1.8%; M1 (AR) +1.7%; M2 (AR) 8.5%.

Commentary

Employment - The major problem with April's employment report is how much to believe. Although payroll employment slowed, household measures of employment surged. However, the household rebound was not unexpected, as that measure of employment fell sharply in the previous month. A sharp increase in the workweek may be related to problems with seasonal adjustment as a result of Easter. However, the April index of hours worked already is at an annual rate of 4% above the first-quarter average. This suggests some growth in activity during the spring. On the other hand, the diffusion index showed only 58% of all industries with increased hirings, a rate that is slightly below normal during an expansion. While a 0.5% increase in the hourly earnings index is disturbing, the previous month's index was revised down to only a 0.2% gain from an originally-reported 0.5% rise. Thus, more data will be needed to determine how strong employment gains really are. Nevertheless, confirmation of increased industrial production by the industrial production index suggests that the April employment report was stronger than it appeared on the surface.

Income and Outlays - In March, personal income surged because of increasing farm subsidies and a one-time adjustment for social security payments. These factors should not be present in April. However, wages probably increased sharply in that month. On the other hand, large increases in tax liabilities may have prevented any significant gains in disposable income. If so, the savings rate will fall sharply this month. However, the latest monthly report on government receipts does not reflect the increased tax liabilities that have been assumed. Possibly, adjustments to our estimates of disposable income will be necessary next month.

However, as the sharp increase in expected tax liabilities largely impacted savings, little adjustment will be made to consumption outlays. Automobile sales in April slowed only slightly as incentives were extended through the month. However, the termination of incentives in May should cause a significant slowing in auto activity. This will be reflected in auto sales estimate. Nevertheless, a rebound in nondurable sales following a post-Easter correction in April should add to retail sales. Despite a decline in automobile sales in April, consumer spending is expected to rise as a result of price-induced gains for nondurables and a continuation of moderate expansion in the service sector.

Construction - Single-family starts have begun reacting to rising mortgage rates even more rapidly than had been anticipated. Normally, a surge in sales develops as mortgage rates begin rising. This surge usually results in higher single-family starts. However, an already large inventory of unsold homes pro-

bably discouraged contractors from reacting to the modest increase in spring sales. Building permits show that housing starts probably will be trending downward for both single- and multi-family units in the next few months. A surge in public construction added to total construction expenditures during March. No new public initiatives were instituted. As a result, this must be a timing shift that will lead to slower construction activity in the next few months. The decline in single-family housing activity has been partially offset by a rebound in apartment construction. As a result, residential construction expenditures may continue to grow through most of this year. Toward the end of the year, however, the decline in housing starts will begin to have a restraining effect upon residential spending. Nonresidential construction appears to be holding at current levels. Construction orders have declined modestly in the past few months, which might suggest a slight decline in nonresidential activity late in spring and the early summer months.

Business Activity - Business inventories continue to be extraordinarily high at the wholesale level while returning to normal at the retail level. Manufacturing inventories are justified by the magnitude of manufacturing orders and shipments at the present time. Although manufacturing shipments declined in April, according to the advance durable goods report, inventories should continue to grow sharply through the remainder of this year. At some point, wholesalers probably will adjust their inventories downward, but anticipations of strong sales ahead have slowed the desire to adjust the inventories.

Orders for durable goods rose less than expected in April, despite a rebound in defense orders. Some of the weakness was recorded in nonelectrical machinery, which contradicts estimates of export activity. On the other hand, the dip in nondefense capital shipments in April probably is the result of seasonal adjustment problems between March and April. Growth in shipments is expected in the next few months.

Now that auto assemblies have climbed to current sales levels for domestic units, little further strength is expected from that sector. Some rebound in mining and utilities might be achieved in the next few months. However, most of the strength in industrial activity is expected to be generated in industrial materials.

Prices - The spring spurt in inflationary pressures as a result of rising oil prices has been less than anticipated. This is especially interesting as womens' clothing prices rose more sharply in the two-month period than at any time since 1973. Modest price changes for services appear to be the major restraining force. In April, an unexpected 1.5% decline in lodging prices following sharp spurts earlier in the year helped to hold down prices in the service component. As wages intensify, however, service inflation should rebound. On the other hand, oil prices are once again weakening following indecision by OPEC. Inflation probably will ease slightly in the summer months before re-intensifying late in the year.

Miscellaneous - As mentioned earlier, a sharp decline in merchandise trade deficits appears to be the result of a surprisingly strong export market. No evidence exists to suggest that that strong gain in exports is continuing. Therefore, a rebound in the trade deficit should be anticipated for April.

The leading indicators rebounded sharply in March and already should be aided by declines in initial unemployment claims and increases in the workweek

in April. The real money stock in April also may be growing faster than in March. Orders were up slightly while building permits also advanced. Therefore, a further significant increase in the leading indicators should be expected for April.

Financial Markets

While strong economic activity certainly justified some increase in interest rates, the surge in long-term interest rates relative to inflation is unprecedented for this stage of the cycle. Part of this surge is developing as a result of reluctance by the Federal Reserve to increase short-term interest rates. Investors also appear to be anticipating greater inflationary conditions in the months ahead than are warranted.

A rebounding economy will generate sharp increases in corporate profitability, increases in inventory investment, and encouraged growth in fixed investment. Especially in the second and third quarters, the corporate sector should significantly increase its borrowing needs.

Fortunately, the government sector will slightly reduce its borrowing requirements. Higher than anticipated economic activity along with increasing inflation have increased government revenues. Although some expenditures also are accelerating, especially as a result of higher oil prices, the deficits are gradually declining. It appears that the federal deficit as measured by national income accounts will be less than \$155 billion for the current fiscal year. A slight dip from that level now is anticipated for the next fiscal year. This indicates that government borrowings probably will be neutral upon interest rate developments in the next two years.

The household sector is only gradually restraining itself. Although mortgage borrowings probably will top out in the summer months and decline slightly in the fall, lower savings rates indicate that household net contributions to the credit markets will diminish.

Thus, strong corporate and household borrowing needs more than offset stability in government bond supplies. Except for foreign investors, interest rates would be rising.

The foreign investor continues to be worried about potential currency losses. Stability of the dollar has helped, as Japanese investors have increased their presence in the financial markets in order to benefit from substantial interest rate differentials. Those differentials suggest that the yen will continue to appreciate against the dollar by more than 4% per year in the next few years. However, most investors are expecting greater stability. I believe these investors will prove to be wrong, but the effect has been one of stabilizing interest rates that otherwise could have increased sharply. When the dollar again comes under weakness in the summer, as expected, these foreign investors will back away from the marketplace. The result could be significant increases in interest rates, but the Federal Reserve probably will not accommodate such interest rate pressures just prior to a national election. Therefore, long-term interest rates will deteriorate while short-term interest rates will remain largely unchanged until after the election. Then, interest rates should rise briefly before succumbing to a weakening economy early in 1989.

Equity Markets - Higher interest rates do not bode well for the equity markets. On the other hand, corporate profitability probably will be stronger than originally anticipated. These two factors generally cancel each other out in analyzing the near-term direction of equity markets. If interest rates stabilize for a time in the summer, as expected, equity markets may again become encouraged by sharp increases in corporate profitability. Thus, a summer spurt in the stock market could develop, but this spurt should be contained to less than 2300 on the Dow Jones Index. After the elections, concerns about potential recessionary policies should lead to a market sell-off. Thus, the weakest prices of the year for equity ownership may occur late in 1988 and continue to show weakness early in 1989 until the dimensions of any economic weakness are more fully understood.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	102983	102983	121.9	121.9	113210	113210	6.0	6.0	174.9	174.9
November	103285	103285	122.2	122.2	113504	113504	5.9	5.9	175.8	175.8
December	103596	103612	121.0	121.8	113744	113744	5.8	5.8	175.4	175.7
January 1988	103705	103827	121.7	122.4	113849	114129	5.8	5.8	176.2	176.4
February	103778	104365	121.9	123.7	114018	114409	5.8	5.7	177.0	176.5
March	103854	104661	122.1	123.1	114166	114103	5.8	5.6	177.8	176.8
April	103992	104835	122.0	124.3	114308	114713	5.8	5.4	178.0	177.6
May	104103	105151*	122.1	124.5*	114470	114635*	5.8	5.4*	178.2	177.5*
June	104212	105467	122.2	124.6	114682	114812	5.8	5.4	178.5	177.8
July	104349	105623	122.4	124.9	114733	115093	5.9	5.4	179.1	178.4
August	104512	105807	122.6	125.3	114899	115405	5.9	5.2	179.7	179.1
September	104687	105991	122.7	125.7	115026	115717	5.9	5.2	180.4	179.8
October	104755	106117	122.9	125.6	115159	115843	6.0	5.2	180.8	180.2
November	104834	106266	123.1	125.4	115274	115926	5.9	5.1	181.2	180.6
December	104916	106415	123.2	125.7	115387	115988	5.9	5.2	181.5	180.9
January 1989	105069	106563	123.4	125.9	115562	116124	5.8	5.1	182.2	181.5
February	105240	106528	123.6	125.7	115752	116325	5.9	5.1	182.8	182.2
March	105413	106757	123.9	125.9	115940	116528	5.9	5.1	183.5	182.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3.854	3.854	2.258	2.258	181.9	177.0	3.279	3.280	3.097	3.103
November	3.836	3.840	2.272	2.272	145.2	145.0	3.257	3.261	3.112	3.116
December	3.865	3.869	2.281	2.281	153.9	145.0	3.282	3.284	3.128	3.139
January 1988	3.869	3.873	2.286	2.293	185.4	153.7	3.317	3.297	3.132	3.143
February	3.881	3.895	2.298	2.307	180.6	154.5	3.327	3.323	3.146	3.168
March	3.893	3.924	2.309	2.319	179.1	157.1	3.338	3.341	3.160	3.190
April	3.903	3.940*	2.315	2.334*	169.5	139.6*	3.348	3.346*	3.178	3.206*
May	3.914	3.958	2.320	2.342	170.6	133.5	3.357	3.352	3.186	3.219
June	3.925	3.976	2.324	2.350	175.6	127.3	3.368	3.359	3.194	3.232
July	3.940	3.993	2.336	2.364	164.2	125.4	3.376	3.379	3.212	3.254
August	3.955	4.009	2.348	2.379	130.3	123.1	3.384	3.398	3.254	3.275
September	3.970	4.025	2.360	2.395	131.5	122.9	3.392	3.418	3.260	3.295
October	3.989	4.043	2.366	2.403	153.7	125.3	3.408	3.429	3.254	3.304
November	4.007	4.061	2.374	2.406	146.6	128.3	3.423	3.442	3.276	3.314
December	4.025	4.079	2.382	2.410	143.7	131.4	3.439	3.455	3.298	3.324
January 1989	4.042	4.098	2.397	2.425	147.7	146.7	3.462	3.497	3.314	3.350
February	4.062	4.120	2.411	2.440	150.4	147.6	3.480	3.514	3.330	3.366
March	4.083	4.142	2.425	2.454	153.7	148.4	3.499	3.529	3.346	3.381

Fore. = February Forecast

C.E. = Current Expectations

* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3000.3	3006.5	404.2	403.4	981.7	985.4	1614.4	1617.7	2489.2	2494.6
November	3014.5	3019.2	412.2	412.0	984.9	993.7	1617.4	1613.5	2494.3	2499.9
December	3030.6	3042.0	424.9	423.5	983.5	1000.1	1622.2	1618.4	2506.2	2519.5
January 1988	3033.9	3045.3	416.5	419.7	983.9	992.0	1633.5	1633.6	2503.2	2513.5
February	3048.6	3069.5	415.5	428.9	987.4	990.0	1645.7	1650.6	2509.1	2532.9
March	3060.5	3091.3	414.8	428.6	987.9	999.8	1657.8	1662.8	2512.7	2538.1
April	3072.2	3104.7*	415.6	425.4*	991.3	1006.4*	1665.3	1672.9*	2514.1	2536.5*
May	3088.9	3118.6	416.6	426.3	996.4	1008.6	1675.9	1683.7	2517.4	2533.4
June	3100.9	3132.5	416.8	427.2	999.1	1010.9	1685.0	1694.4	2519.0	2530.3
July	3119.4	3152.0	418.5	430.6	1004.6	1016.6	1696.3	1704.8	2523.8	2539.9
August	3136.1	3177.2	421.3	439.4	1007.7	1022.3	1707.1	1715.5	2525.0	2558.1
September	3171.5	3192.1	442.7	440.4	1010.9	1025.6	1717.9	1726.1	2541.3	2566.0
October	3161.1	3190.9	418.3	423.6	1014.6	1030.5	1728.2	1736.8	2522.8	2552.7
November	3174.6	3211.6	419.5	427.3	1017.1	1036.6	1738.0	1747.7	2525.5	2552.9
December	3188.1	3231.8	420.9	431.0	1019.3	1042.3	1747.9	1758.5	2528.2	2554.8
January 1989	3208.5	3247.4	423.5	431.9	1025.4	1045.6	1759.6	1769.9	2534.4	2559.0
February	3228.6	3263.0	425.0	432.7	1031.9	1049.3	1771.7	1781.0	2540.2	2565.3
March	3248.8	3277.2	426.6	432.0	1038.4	1053.0	1783.8	1792.2	2544.1	2570.4

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	125.63	125.63	19.92	19.92	9.3	9.3	76.97	76.97	28.74	28.74
November	125.77	125.99	20.20	20.27	9.9	9.9	77.02	77.20	28.55	28.51
December	126.68	127.47	20.34	20.56	10.9	10.9	77.08	77.63	29.25	29.29
January 1988	126.06	127.28	20.11	20.38	10.4	10.4	77.12	77.04	28.83	29.87
February	126.47	130.12	20.24	20.19	10.0	11.0	77.36	80.41	28.87	29.52
March	126.44	132.40	20.37	20.54	9.6	10.7	77.33	81.83	28.74	30.04
April	126.95	131.58	20.20	20.53	9.7	10.5	77.69	81.33	29.06	29.72
May	127.51	132.01*	20.16	20.79*	9.9	10.0*	78.10	81.96*	29.25	29.26*
June	127.95	132.59	20.07	21.01	10.2	10.1	78.50	82.24	29.38	29.34
July	128.05	133.64	20.16	21.23	10.0	10.2	78.86	82.89	29.03	29.52
August	129.39	134.91	20.33	21.20	10.5	10.5	79.08	83.35	29.98	30.36
September	132.67	135.53	20.28	20.75	11.2	10.8	79.29	83.62	33.10	31.16
October	128.86	134.04	20.20	20.64	9.6	9.9	79.53	84.02	29.13	29.38
November	129.47	134.88	20.24	20.80	9.8	10.0	79.76	84.52	29.47	29.56
December	130.37	135.78	20.28	21.07	10.1	10.0	79.98	84.98	30.11	29.73
January 1989	130.98	136.16	20.33	20.95	10.1	10.1	80.43	85.25	30.22	29.96
February	131.49	136.56	20.26	20.81	10.1	10.2	80.88	85.56	30.35	30.19
March	131.78	136.78	20.38	20.62	10.0	10.2	81.32	85.86	30.08	30.30

Fore. = February Forecast

C.E. = Current Expectations

* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	1.537	1.538	1.105	1.105	1.463	1.463	403.5	398.9	351.2	349.3
November	1.639	1.661	1.110	1.129	1.469	1.469	411.3	404.0	354.8	351.8
December	1.374	1.399	1.023	1.035	1.340	1.361	409.7	403.9	354.6	353.7
January 1988	1.390	1.382	0.996	1.016	1.285	1.257	393.8	394.5	339.8	345.2
February	1.478	1.519	1.035	1.102	1.362	1.422	402.1	396.0	345.4	345.2
March	1.526	1.554	1.076	1.176	1.443	1.476	408.8	401.8	350.0	349.5
April	1.525	1.561	1.085	1.095	1.441	1.416	407.4	402.7*	347.9	349.0*
May	1.538	1.568*	1.092	1.128*	1.452	1.426*	405.3	404.1	345.5	349.3
June	1.524	1.553	1.072	1.139	1.443	1.407	405.7	406.3	345.3	349.9
July	1.532	1.521	1.086	1.108	1.447	1.386	410.6	408.5	347.7	350.9
August	1.533	1.496	1.092	1.102	1.443	1.372	412.6	410.5	347.6	351.8
September	1.535	1.492	1.098	1.095	1.446	1.389	414.5	412.3	347.4	352.1
October	1.561	1.496	1.115	1.086	1.463	1.406	418.2	411.1	349.1	350.2
November	1.576	1.503	1.123	1.083	1.489	1.389	421.0	409.9	350.3	348.3
December	1.591	1.502	1.131	1.079	1.502	1.401	423.7	408.9	351.3	346.2
January 1989	1.569	1.478	1.109	1.067	1.501	1.375	427.0	410.1	352.9	346.1
February	1.573	1.465	1.115	1.053	1.496	1.364	430.0	411.2	353.9	345.8
March	1.556	1.452	1.094	1.050	1.453	1.348	433.0	412.2	354.9	345.5

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	128.7	127.7	76.8	76.7	198.6	194.5
November	133.8	133.3	77.7	76.9	199.8	193.7
December	129.3	131.8	79.6	77.6	200.8	194.5
January 1988	125.9	127.2	75.8	75.3	192.1	192.0
February	128.2	128.0	76.9	78.1	197.0	189.9
March	129.4	128.1	77.3	82.3	202.1	191.4
April	129.2	128.3*	77.8	80.6*	200.4	193.8*
May	128.6	128.6	78.1	80.0	198.6	195.5
June	128.0	128.8	78.5	80.3	199.2	197.2
July	127.9	128.5	79.0	80.5	203.7	199.5
August	128.3	128.9	79.3	80.9	205.0	200.7
September	128.6	129.2	79.6	81.3	206.3	201.8
October	128.7	129.0	80.0	81.6	209.5	200.5
November	129.0	128.8	80.3	81.9	211.7	199.2
December	129.4	128.9	80.5	82.1	213.8	197.9
January 1989	130.0	129.0	81.4	82.5	215.6	198.6
February	130.4	129.1	82.0	82.9	217.6	199.2
March	130.9	129.2	82.6	83.3	219.5	199.7

Fore. = February Forecast

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	328.6	328.6	111.09	111.09	30.41	30.42	28.99	28.99
November	331.8	331.8	110.95	110.95	30.09	30.09	28.62	28.62
December	333.2	333.2	116.41	116.41	33.56	33.56	30.47	30.73
January 1988	334.7	336.8	113.62	114.20	30.29	34.79	29.06	30.65
February	335.5	338.4	112.18	114.26	29.93	33.75	29.65	30.71
March	336.2	339.4	113.35	115.31	30.13	32.46	30.21	31.69
April	338.5	340.9*	113.02	116.28	30.06	32.90	30.06	30.90
May	339.8	342.8	113.47	117.43*	30.15	33.55*	30.21	31.26*
June	341.5	345.0	114.46	114.39	30.53	32.16	30.36	31.75
July	343.0	345.9	115.53	114.62	31.02	32.49	30.55	32.39
August	345.1	346.8	115.06	116.21	30.97	33.31	30.77	32.71
September	346.2	347.7	115.91	115.05	31.17	32.75	30.98	33.04
October	347.6	349.8	116.62	114.85	31.43	32.93	31.14	32.83
November	348.9	351.9	116.85	114.37	31.62	32.86	31.34	32.95
December	350.8	354.0	116.21	116.27	31.26	33.14	31.55	32.90
January 1989	352.1	355.8	114.49	116.63	30.57	33.20	30.86	33.14
February	353.9	357.4	115.86	115.08	31.35	32.86	31.24	33.22
March	355.6	359.0	116.63	114.82	31.50	32.53	31.61	32.85

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	687.7	689.9	9.13	9.13	132.5	132.5	81.9	81.9
November	695.5	696.4	9.24	9.24	133.1	133.2	82.0	82.1
December	698.3	702.9	10.23	10.09	133.3	133.9	82.2	82.4
January 1988	700.3	705.9	9.26	8.43	133.1	134.4	82.2	82.5
February	702.4	708.0**	9.83	8.50	132.5	134.4	81.6	82.4
March	706.0	720.0	10.40	9.52	132.5	134.7	81.4	82.4
April	708.5	723.5*	9.95	8.58	132.2	135.6	81.0	82.7
May	711.3	726.4	9.86	8.50*	132.4	135.9*	81.0	82.8*
June	714.9	729.4	9.78	8.58	132.6	136.2	81.0	82.8
July	717.1	732.3	9.85	8.46	133.2	136.5	81.3	82.9
August	720.3	734.5	9.98	8.54	133.6	136.8	81.4	82.9
September	723.0	736.7	10.11	8.63	134.0	137.1	81.5	83.0
October	726.4	740.8	10.05	8.60	134.0	137.2	81.3	82.9
November	729.1	745.8	10.02	8.77	134.2	137.0	81.3	82.7
December	732.4	750.6	9.96	8.95	134.4	137.0	81.3	82.6
January 1989	735.6	753.4	10.03	9.00	134.8	136.9	81.4	82.4
February	738.9	756.4	10.10	9.01	135.4	137.0	81.7	82.3
March	740.9	759.3	10.17	9.00	136.0	137.0	82.0	82.2

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** = Break in Series

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 \$)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	-17.63	-17.63	193.3	192.8	4583	4590	3868	3873	-21.6	-21.6
November	-13.22	-13.22	191.0	190.7	4595	4601	3871	3876	-23.9	-23.9
December	-13.80	-12.20	190.7	191.0	4616	4631	3882	3895	-21.1	-23.2
January 1988	-13.62	-12.44	190.5	188.9	4620	4638	3876	3894	-16.3	-17.8
February	-13.26	-13.82	191.0	191.8	4620	4660	3866	3903	-14.4	-16.5
March	-14.19	-9.75	190.7	193.3	4639	4685	3872	3917	-12.2	-16.4
April	-13.76	-12.00*	190.3	194.5	4655	4710	3873	3922	-11.3	-19.6
May	-12.55	-12.29	190.7	194.2	4677	4740	3881	3927	-16.9	-22.3
June	-11.64	-12.43	190.2	194.5	4700	4769	3891	3935	-25.5	-22.6
July	-13.89	-12.96	190.6	194.8	4726	4793	3899	3945	-23.8	-23.4
August	-14.26	-11.85	191.4	194.5	4752	4814	3905	3952	-22.2	-22.8
September	-13.46	-11.74	191.8	194.1	4778	4835	3910	3960	-20.6	-22.1
October	-14.35	-13.36	191.5	194.6	4800	4852	3918	3961	-18.4	-21.4
November	-13.63	-12.84	191.3	195.3	4820	4870	3926	3966	-17.4	-20.1
December	-11.67	-12.43	190.8	195.6	4841	4887	3936	3967	-16.5	-18.8
January 1989	-12.43	-12.21	190.5	195.4	4868	4909	3942	3968	-19.3	-18.5
February	-12.06	-11.93	190.9	195.3	4896	4936	3948	3977	-22.4	-19.0
March	-12.32	-12.65	191.1	195.7	4924	4963	3952	3986	-25.4	-18.4

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PRICES

	CPI-U		PPI		PPI-Industrial		Estimated GNP			
	(seasonally adjusted)		Finished Goods (seasonally adjusted)		Commodities (unadjusted)		Deflator			
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	114.9	115.0	106.1	106.1	103.9	103.9	118.5	118.5		
November	115.3	115.3	106.1	106.1	104.2	104.2	118.7	118.7		
December	115.4	115.5	105.8	105.7	104.1	104.2	118.9	118.9		
January 1988	115.6	115.9	106.1	106.1	104.3	104.3	119.2	119.1		
February	115.8	116.1	106.1	105.9	104.3	104.4	119.5	119.4		
March	116.1	116.7	106.2	106.5	104.5	104.7	119.8	119.6		
April	116.5	117.2	106.4	107.0	105.0	105.6	120.2	120.1		
May	116.9	117.8*	106.6	107.5*	105.4	105.9*	120.5	120.7		
June	117.4	118.3	107.0	107.9	105.8	105.9	120.8	121.2		
July	117.9	118.7	107.5	108.2	106.3	106.8	121.2	121.5		
August	118.3	119.1	107.8	108.4	106.7	107.5	121.7	121.8		
September	118.9	119.5	108.4	108.6	105.2	106.4	122.2	122.1		
October	119.3	120.0	108.8	108.9	107.5	107.8	122.5	122.5		
November	119.6	120.5	109.0	109.3	107.8	108.0	122.7	122.8		
December	119.9	121.0	109.2	109.8	108.0	108.1	123.0	123.2		
January 1989	120.4	121.4	109.5	110.2	108.6	108.6	123.5	123.7		
February	120.9	121.8	109.8	110.5	109.4	109.1	124.0	124.1		
March	121.3	122.2	110.1	110.8	110.3	109.5	124.6	124.5		
	Consumption		Consumer		Consumer		Consumer		Implicit	
	Deflator		Durables		Nondurables		Services		Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	120.5	120.5	107.3	107.2	113.5	113.5	129.4	129.4	114.9	114.2
November	120.9	120.8	107.6	107.4	113.8	113.7	129.8	129.9	115.9	114.8
December	120.9	120.7	108.1	107.6	113.6	113.5	130.1	130.1	115.5	114.2
January 1988	121.2	121.1	108.0	107.4	113.4	113.4	130.6	130.7	115.9	114.3
February	121.5	121.2	107.8	107.4	113.5	113.3	131.2	131.1	116.4	114.7
March	121.8	121.8	107.9	107.5	113.6	114.2	131.7	131.6	116.8	115.0
April	122.2	122.4*	108.3	107.9*	113.9	115.2*	132.3	132.2*	117.1	115.4*
May	122.7	123.1	108.5	108.1	114.3	115.7	132.9	132.8	117.3	115.7
June	123.1	123.8	108.7	108.3	114.6	116.1	133.5	133.4	117.5	116.1
July	123.6	124.1	109.0	108.8	115.1	116.3	134.0	133.9	118.1	116.4
August	124.2	124.2	109.3	109.2	115.7	116.5	134.5	134.4	118.7	116.7
September	124.8	124.4	109.5	109.0	116.3	116.6	135.0	135.0	119.3	117.1
October	125.3	125.0	109.8	109.3	116.8	117.3	135.6	135.5	119.8	117.4
November	125.7	125.8	109.7	109.2	117.3	118.1	136.2	136.0	120.2	117.7
December	126.1	126.5	109.7	109.4	117.7	118.8	136.8	136.6	120.6	118.1
January 1989	126.6	126.9	110.1	109.6	118.2	119.2	137.4	137.2	121.0	118.5
February	127.1	127.2	110.3	109.9	118.6	119.5	138.0	137.7	121.5	118.9
March	127.7	127.5	110.5	110.2	119.0	119.9	138.6	138.3	122.0	119.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	265.4	265.2	760.7	756.2	2892.5	2894.6	7.29	7.29	6.69	6.69
November	267.3	267.2	756.6	752.7	2891.1	2896.5	6.69	6.69	6.19	6.19
December	267.8	267.2	753.0	750.8	2895.6	2901.0	6.77	6.77	6.36	6.36
January 1988	272.3	271.3	761.4	758.9	2916.8	2924.9	6.83	6.83	6.25	6.25
February	273.5	272.0	765.4	759.6	2930.6	2946.1	6.56	6.58	5.94	5.96
March	274.8	272.5	769.5	763.1	2944.4	2967.7	6.50	6.58	6.08	5.91
April	276.5	275.2	773.8	770.2	2959.3	2992.3	6.41	6.87	6.01	6.21
May	278.7	278.0*	779.2	771.3*	2977.8	3012.6*	6.26	6.98*	5.96	6.28*
June	280.9	280.8	784.6	772.5	2995.9	3032.8	6.26	7.09	5.92	6.35
July	282.3	282.3	790.0	778.9	3013.4	3050.6	6.30	7.10	6.06	6.39
August	283.7	283.6	795.8	785.0	3028.6	3069.7	6.38	7.05	6.01	6.35
September	285.0	285.0	801.5	791.2	3042.9	3088.8	6.46	7.11	6.08	6.40
October	286.7	286.8	803.6	793.7	3060.3	3100.2	6.50	7.20	6.15	6.56
November	288.5	288.2	805.8	794.3	3075.9	3111.8	6.59	7.43	6.18	6.75
December	290.3	289.6	808.0	795.1	3091.5	3123.4	6.68	7.45	6.17	6.79
January 1989	291.8	291.3	813.1	803.6	3107.3	3142.6	6.73	7.26	6.20	6.53
February	293.3	292.6	818.3	811.6	3126.2	3159.7	6.85	7.15	6.18	6.45
March	294.7	294.0	822.9	819.5	3145.0	3176.3	6.76	7.08	6.10	6.41

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	10.52	10.52	8.70	8.70	7.89	7.89	8.02	8.02	9.07	9.07
November	10.01	10.01	7.95	7.95	7.17	7.17	7.24	7.24	8.78	8.78
December	10.11	10.11	7.96	7.96	7.61	7.61	7.66	7.66	8.75	8.75
January 1988	9.88	9.88	7.66	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.93	9.40	7.75	7.49	6.43	6.58	6.50	6.60	8.51	8.51
March	9.82	9.39	7.61	7.74	6.40	6.62	6.49	6.63	8.42	8.50
April	9.56	9.67	7.36	7.81	6.28	6.86	6.37	6.92	8.25	8.50
May	9.43	9.78*	7.24	7.90*	6.25	7.03*	6.35	7.09*	8.25	8.89
June	9.30	9.89	7.12	7.95	6.28	7.15	6.38	7.22	8.25	9.00
July	9.25	10.05	7.03	8.09	6.35	7.22	6.42	7.29	8.25	9.00
August	9.29	10.08	7.11	8.11	6.42	7.16	6.50	7.23	8.25	9.00
September	9.33	10.12	7.18	8.16	6.45	7.20	6.54	7.28	8.25	9.00
October	9.50	10.20	7.34	8.23	6.61	7.27	6.69	7.35	8.25	9.00
November	9.56	10.26	7.41	8.30	6.64	7.50	6.73	7.62	8.25	9.36
December	9.62	10.32	7.48	8.36	6.70	7.43	6.78	7.51	8.25	9.50
January 1989	9.75	10.20	7.61	8.31	6.78	7.18	6.85	7.26	8.25	9.50
February	9.89	10.05	7.71	8.09	6.86	7.10	6.94	7.17	8.25	9.50
March	9.85	9.88	7.63	7.90	6.73	7.02	6.86	7.11	8.25	9.50

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